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# The Practicing CPA

NOVEMBER 1992

Published for All Local Firms by the AICPA Private Companies Practice Section 

## SUGGESTIONS FOR STRESS REDUCTION AND EMPLOYEE RETENTION

Career-related stress can adversely affect an employee's health and job performance and increase worker turnover. Stress can result in wrong decisions, lost opportunities, higher medical costs, increased absenteeism, and employee dissatisfaction. The effects are costly.

Public accounting offers a variety of situations which may cause stress. Work overload or under utilization, lack of role clarity, changes in the nature of work, lack of participation in decisions affecting one's job, extensive travel, and frequent changes in job location are typical examples.

To obtain some additional information about stress in the profession, we sent a questionnaire to 800 randomly-selected CPAs (400 men and 400 women) asking what was causing stress and what firms were doing to alleviate the problem. Two hundred and twenty responses were received for an overall response rate of 28 percent.

Asked whether they had seen or personally experienced stressful situations, several respondents mentioned actions such as the use of cute names, suggestive looks and comments, and personal remarks that are usually associated with sexual harassment.

A majority of the respondents cited other actions that are stressful to women. These include assigning women to less demanding work, not asking them to entertain clients in the evenings or to go on golf outings, penalizing women for taking time off from work, and not considering them for promotion if relocation is required.

Both male and female respondents believe the number of work hours required creates difficulties, with the need to work weekends and well into the evening being especially troublesome. This was particularly true for respondents up to forty years old.

### **Stress-reducing initiatives and programs**

A majority of the respondents favored family-oriented stress reducing programs, such as the avail-

ability of day care, part-time employment, extended parental leaves, after-hours child care, and the ability to take time off to care for sick children.

### ***Public accounting offers a variety of situations which may cause stress.***

The respondents found three work-related factors to be significant in reducing stress.

First, mentors were viewed, particularly by women, as important for succeeding. Second, most of the respondents think there is a need to reduce the number of hours worked in order to satisfy demands for an enhanced quality of life. And third, respondents strongly believe the number of working hours affects the number of people leaving the accounting profession.

### **Some practical suggestions**

To cope with these dilemmas, numerous firms have already modified the way they manage their human resources. One Midwest local firm, for example, has had a flexible work schedule in operation for a number of years. Here, employees can work those hours that are convenient to their own schedules,

#### **What's Inside...**

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subject, of course, to restraints imposed by client needs.

Our own experience is that employee attitudes and morale improve when such an arrangement is available than when a firm adheres to fixed working hours. This is particularly noticeable during the busy season, with employees often seeming more

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## ***Employees have a greater sense of accomplishment when they have more control over their work schedules.***

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willing to work the needed extra hours with less feeling of self-sacrifice.

Staggered work hours means there are times when employees are in the office and experience few interruptions. Staff usually find this environment more conducive to both work and personal responsibilities, and these can be quite productive periods. All in all, employees often have a greater sense of accomplishment and greater pride in their work when they have more control over their work schedules.

Flexible work schedules, job-sharing programs, day-care services, formal mentoring systems, and other measures and initiatives should be applauded. Nevertheless, the findings of this survey suggest there are some areas of the human resource function that may need additional consideration.

Female respondents strongly believe the availability of quality day-care, parental leaves for newborn care, and days off to look after sick children are important issues. They believe flextime schedules can produce wide-ranging alternatives based on individual and firm needs, and suggest firms may want to consider offering a day-care service for employees who need to work in the evenings and on weekends.

There is little doubt creative scheduling may enable firms to retain individuals they would otherwise certainly lose. But here some words of caution

are required. A firm must strongly believe a person *can* work flexible hours successfully prior to establishing a flextime schedule. Without this acceptance, individuals working on a flexible time schedule may be viewed as lacking in career commitment. Keep in mind that if employees think they are perceived that way, the flextime program will automatically fail. Employees should never believe they pay a high career price by working a flextime schedule or by taking family leave.

Eighty-eight percent of female respondents believe a mentor can be helpful to the success of their careers. Experience shows a mentor can help a subordinate identify problems and opportunities, and alleviate some of the anxiety associated with new responsibilities and assignments. The system established should provide mentors to *all* staff, however, and must be a formal, organized program.

Indicating the importance of a formal policy, one respondent wrote, "It is almost impossible to find a good mentor. Virtually everyone higher than me on the organization chart is male, and mentoring relationships between a male and a female [if not part of a formal policy] are instantly viewed with suspicion. Men get the benefits of learning from a mentor. Women are either left out or risk scandal."

A formal counseling program can also be useful. Problems involving effectively managing work, family relationships, and conflicts could be identified before they cause individuals undue stress. Many of these problems affect both men and women. But some are unique to women and affect them more. Both CPA firms and women accountants would benefit from special counseling on these issues.

If a formal counseling program is not feasible, informal, lunchtime meetings might be the answer. Just providing a room where employees can discuss and propose solutions to issues and problems unique to the sexes can be helpful in reducing or alleviating individual stress.

Sixty-four percent of women respondents believe the so-called "Mommy track" delegates women to entry-level assignments indefinitely. To counteract that perception, firms should re-evaluate the level of

*(continued on page 8)*

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## Highlights of Recent Pronouncements

### FASB Statement of Financial Accounting Standards

#### No. 110 (August 1992), *Reporting by Defined Benefit Pension Plans of Investment Contracts*

- ☐ Amends FASB Statement no. 35, *Accounting and Reporting by Defined Benefit Pension Plans*, to permit a defined benefit pension plan to report only contracts that incorporate mortality or morbidity risk at contract value.
- ☐ Requires a defined benefit pension plan to report an investment contract issued by either an insurance enterprise or other entity at fair value.
- ☐ Effective for financial statements for fiscal years beginning after December 15, 1992. Earlier adoption is encouraged. This Statement need not be applied to deposit administration and immediate participation guarantee contracts entered into before March 20, 1992.

### Statements on Auditing Standards

#### No. 71 (May 1992), *Interim Financial Information*

- ☐ Supersedes SAS no. 36, *Review of or Performing Procedures on Interim Financial Information*, and SAS no. 66, *Communication of Matters About Interim Financial Information Filed or to Be Filed With Specified Regulatory Agencies—An Amendment to SAS No. 36, Review of Interim Financial Information*.
- ☐ Provides guidance on the nature, timing, and extent of procedures to be applied by the independent accountant in conducting a review of interim financial information and on the reporting applicable to such engagements.
- ☐ Establishes certain communication requirements for an accountant who has been engaged to perform certain services related to interim financial information.
- ☐ Applies to:
  - 1) Engagements to review interim financial information or statements of a public entity that are presented alone either in the form of financial statements or in a summarized form that purports to conform with the provisions of APB Opinion no. 28, *Interim Financial Reporting*;
  - 2) Interim financial information that accompanies, or is included in a note to, audited financial statements of a public entity;
  - 3) Interim financial information that is included in a note to the audited financial

statements of a nonpublic entity.

- ☐ Provides guidance on reporting by the independent auditor when certain selected quarterly financial data required to be presented with audited annual financial statements by item 302(a) of SEC Regulation S-K are not presented or are presented but have not been reviewed.
- ☐ Effective for interim periods within fiscal years beginning after September 15, 1992. Earlier application is encouraged.

#### No. 70 (April 1992), *Reports on the Processing of Transactions by Service Organizations*

- ☐ Supersedes SAS no. 44, *Special-Purpose Reports on Internal Accounting Control at Service Organizations*.
- ☐ Provides guidance on the factors an independent auditor should consider when auditing the financial statements of an entity that uses a service organization to process certain transactions.
- ☐ Provides guidance for independent auditors who issue reports on the processing of transactions by a service organization for use by other auditors.
- ☐ Applies to the audit of the financial statements of an entity that obtains either or both of the following services from another organization:
  - 1) Executing transactions and maintaining the related accountability;
  - 2) Recording transactions and processing related data.
- ☐ Effective for service auditors' reports dated after March 31, 1993. Earlier application is encouraged.

### Statements of Position

#### No. 92-7 (September 1992), *Audits of State and Local Governmental Entities Receiving Federal Financial Assistance*

- ☐ Supersedes chapter 17 and chapters 21 through 23 of the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units*.
- ☐ Incorporates and supersedes:
  - 1) SOP 89-6, *Auditor's Reports in Audits of State and Local Governmental Units*;
  - 2) SOP 90-9, *The Auditor's Consideration of the Internal Control Structure Used in Administering Federal Financial Assistance Programs Under the Single Audit Act*.
- ☐ Updates the Audit and Accounting Guide *Audits of State and Local Governmental Units* to reflect the following standards that affect audits of federal financial assistance programs



under the Single Audit Act and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*:

- 1) Statement on Auditing Standards (SAS) no. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*;
- 2) SAS no. 60, *Communication of Internal Control Structure Related Matters Noted in an Audit*;
- 3) SAS no. 68, *Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance*;
- 4) The 1988 revision of *Government Auditing Standards*, issued by the Comptroller General of the United States.

- ☐ Effective for audits done in accordance with the Single Audit Act and OMB Circular A-128 for audits of fiscal years ending on or after December 15, 1992. Earlier application is encouraged.

No. 92-6 (August 1992), *Accounting and Reporting by Health and Welfare Benefit Plans*

- ☐ Amends chapter 4 of the AICPA Audit and Accounting Guide *Audits of Employee Benefit Plans*.
- ☐ Changes or clarifies certain accounting and reporting requirements set forth in the guide.
- ☐ Updates the guide to conform to:
  - 1) Relevant disclosure requirements of FASB Statement no. 105, *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*.
  - 2) Certain measurement concepts of FASB Statement no. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.
- ☐ Applies to both defined-benefit and defined-contribution health and welfare benefit plans.
- ☐ Effective for audits of financial statements of:
  - 1) Single-employer plans for plan years beginning after December 15, 1992, except that the application to plans of single employers with no more than 500 participants in the aggregate is effective for plan years beginning after December 15, 1994;
  - 2) Multiemployer plans for plan years beginning after December 15, 1995.
 Earlier application is encouraged.

No. 92-5 (June 1992), *Accounting for Foreign Property and Liability Reinsurance*

- ☐ Supplements the AICPA Audit and Accounting Guide *Audits of Property and Liability Insurance Companies*.

- ☐ Provides guidance on how U.S. companies should account for property and liability reinsurance assumed from foreign insurance companies.
- ☐ Applies prospectively to contracts or arrangements entered into in fiscal years beginning on or after December 15, 1992. Retroactive application, by restating all prior years presented, is encouraged but not required.

No. 92-4 (May 1992), *Auditing Insurance Entities' Loss Reserves*

- ☐ Supplements the AICPA Audit and Accounting Guide *Audits of Property and Liability Insurance Companies*.
- ☐ Assists auditors in developing an effective audit approach when auditing loss reserves of insurance entities.
- ☐ Applies to audits of property and liability insurance enterprises (stock and mutuals), reciprocal or interinsurance exchanges, pools, syndicates, captive insurance companies, and other similar organizations such as public entity risk pools.
- ☐ Effective for audits of financial statements for periods ending after December 15, 1992.

#### FASB Interpretation

No. 39 (March 1992), *Offsetting of Amounts Related to Certain Contracts*

- ☐ Interpretation of APB Opinion no. 10, *Omnibus Opinion—1966* and FASB Statement no. 105, *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*.
- ☐ Supersedes FASB Technical Bulletin no. 88-2, *Definition of a Right of Setoff*.
- ☐ Defines *right of setoff* and specifies the conditions that must be met.
- ☐ Addresses the applicability of the *right of setoff* general principle to forward, interest rate swap, currency swap, option, and other conditional or exchange contracts.
- ☐ Clarifies the circumstances in which it is appropriate to offset amounts recognized for those contracts in the statement of financial position.
- ☐ Permits offsetting of fair value amounts recognized for multiple forward, swap, option, and other conditional or exchange contracts executed with the same counterparty under a master netting arrangement.
- ☐ Effective for financial statements issued for periods beginning after December 15, 1993. Earlier application is encouraged.

## Your Voice in Washington

### Tax bill passed by Congress includes top priority provisions for CPAs; presidential veto expected

Twice this year, the profession succeeded in having CPAs' two top tax priorities provisions included in bills passed by Congress—provisions to help correct the workload compression problem and to amend the unworkable estimated tax rules enacted in 1991.

Other provisions for which the American Institute of CPAs fought hard—simplification, taxpayer rights, and amortization of intangibles—were also included in the tax package. In addition, language to prevent the Internal Revenue Service from soliciting confidential client information from CPAs (see the *Practicing CPA*, August, p.6) was included.

Unfortunately, for political reasons unrelated to the merits of these provisions, President Bush vetoed the first bill in April and is expected to also veto the most recent tax bill.

Failure to have the legislation signed into law is particularly disappointing to the Institute because the AICPA and its members expended enormous effort to work out agreements acceptable on Capitol Hill regarding fiscal years and the new estimated tax rules.

The private companies practice section played a major role in helping to convince members of Congress that the fiscal year requirement places a severe and unfair burden on many smaller companies and the CPA firms that serve them by conducting a letter writing campaign to their elected representatives in Washington. (See the *Practicing CPA*, July, p.3.)

Assuming that President Bush does veto the tax bill passed by Congress in October, we will continue

our fight next year to have fiscal year and estimated tax provisions enacted. Congressional observers think the new Congress, which will convene in January, will pass another tax bill next year. It should be possible to again have the fiscal year and estimated tax provisions included in a new tax bill because both provisions raise revenues and can be used to offset other spending items that might be included. The AICPA will also continue its efforts to have the other provisions enacted. ☑

## The Mission of the Private Companies Practice Executive Committee

At its meeting in the Spring of 1991, the American Institute of CPAs governing council voted to create a more effective means of delivering services to local and regional firms through a restructuring of committee activities. Specifically, the scope of the executive committee of the private companies practice section (PCPS) of the AICPA division for CPA firms was broadened, the committee was renamed the private companies practice executive committee (PCP executive committee), and now includes members from firms that are not PCPS members.

The PCP executive committee represents and acts as an advocate for all local and regional firms and the private companies they serve. It is responsible for coordinating, improving, and overseeing services in the broad areas of practice management and development, and covers similar services that are not under the jurisdiction of other AICPA senior committees.

The PCP executive committee oversees a practice monitoring program for PCPS member firms, and provides services that are tailored specifically for section members. These include practice aids, a directory of member firms, an annual conference, and advertising and public relations efforts designed to enhance the significance of section membership.

To achieve its mission regarding advocacy, the PCP executive committee appoints a technical issues committee which

- ☐ Monitors the issuance of all professional standards and informs firms of the effects of new pronouncements.
- ☐ Advocates local and regional firms' concerns with the relevant professional standard setting bodies.
- ☐ Provides an effective and unified voice for local and regional firms toward the activities of governmental and regulatory groups.

(See PCPS Advocacy Activities on page 6.)

The quality of practice of PCPS member firms is

### PCPS Conference Offers Spring Break

The new Loews Coronado Bay Resort in San Diego, California, is the site of the 1993 Private Companies Practice Section Conference. Scheduled for May 2–5, the conference offers a combination of presentations on the latest professional, management, and technical issues and is an ideal setting for a spring break.

To be placed on the mailing list to receive a detailed brochure and information on the special discount for early registration, write to PCPS at the Institute's New York office, 1211 Avenue of the Americas, New York, N.Y. 10036-8775, or call (800) CPA-FIRM.

monitored by a peer review committee appointed by the PCP executive committee. The peer review program

- ☐ Assists member firms in establishing and maintaining effective and efficient quality control systems.
- ☐ Provides a public file of peer review reports and other information in the public interest on all PCPS member firms.
- ☐ Participates in the development and presentation of educational programs and materials to assist CPAs in preparing for and performing practice monitoring reviews.

The PCP executive committee promotes the efficiency and profitability of local and regional firms through the activities of the management of an accounting practice committee which, in turn,

- ☐ Assists firms in establishing and maintaining sound management techniques.
- ☐ Identifies creative and cost-effective ways local and regional CPA firms can improve and expand their services to clients.

In its first move to meet expanded responsibilities for all local and regional firms, the PCP executive committee quickly stepped in to maintain this publication. Since August 1991, the PCPS has financially sponsored the *Practicing CPA*. ☒

### The Six-Week Search

According to a recent nationwide survey, company executives waste almost six weeks a year trying to find items that have been misplaced or mislabeled.

Developed by Accountemps, a temporary personnel service for the accounting, book-keeping, and information systems fields, the survey of 200 large company executives revealed they waste 10.7 percent of their total time, or 4.3 hours per week, based on a 40-hour work week, because they or their assistants can't find the information they need.

Accountemps says developments such as FAX machines, cellular phones, electronic mail, and overnight delivery have increased the volume of information workers must process. They have not resulted in a paperless work environment, however. The firm suggests one way to better access information is to keep current on all incoming correspondence—paper and electronic—and to prioritize and take decisive action on filing or discarding it.

## PCPS Advocacy Activities

### TIC meets with standard setters

The technical issues committee (TIC) of the private companies practice section plays a crucial role in PCPS advocacy efforts by acting as liaison to the Financial Accounting Standards Board, its governmental counterpart GASB, and the American Institute of CPAs standard-setting bodies. TIC's annual meeting with FASB and GASB provides an opportunity for a frank exchange on how proposed standards affect small businesses and governments and where implementation help is needed.

FASB Statement no. 107, *Disclosures about Fair Value of Financial Instruments*, was the first agenda item at the meeting in September. After discussing the problems with determining which instruments are involved, how to handle related-party transactions, and the effects of different interest rates on the value of various financial instruments, FASB asked TIC for ideas on the best ways to provide small community bankers with practical suggestions on implementing the standard in a cost-effective manner.

FASB also asked TIC about possible problems in implementing its proposed Standard, *Accounting by Creditors for Impairment of a Loan*. TIC had expressed concern over difficulties in determining the market rate of interest on small business loans and in establishing that a loan is impaired when the loan terms may be modified due to a bank's ongoing business relationship with its customer. TIC was asked to suggest how community banks might distinguish between those loans requiring individual calculations and those to which a general reserve could be applied and to consider testing the suggested method in an actual situation to determine its effectiveness and cost.

At the conclusion of the meeting, FASB requested TIC's assistance in developing new approaches to increasing public understanding of important accounting issues and in encouraging greater public participation in the standard-setting process.

Two items discussed at the meeting with GASB produced requests for TIC input. Regarding the implementation of its proposed Standard, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*, GASB asked TIC to test whether the compliance burden on small governments could be significantly reduced if recognition and measurement were based on provisions in the 1991 Environmental Protection Agency Rule.

The other request resulted from a discussion of the need to reduce the reporting burden on small governments. Among the methods mentioned were differential disclosures and cash basis reporting.

Modifying the current Comprehensive Annual Financial Report (CAFR) could also provide relief. After discussing this possibility, GASB asked TIC to suggest what a small government CAFR should contain and in what format it should be presented.

TIC is responding to these requests from FASB and GASB for practical input into these concerns and will communicate its findings and suggestions to both boards. Judith H. O'Dell, TIC chairman, encourages readers who have suggestions and ideas on these issues to contact TIC at the Institute's offices in New York. ☐

## Time Management for CPAs: Getting More Out of Life

More time in which to do everything they want to do is an elusive goal most CPAs seek. Why is it so difficult to manage time? It seems there are constant interruptions, phone calls, memorandums, and unforeseen problems. While none of us can create more time, it is possible for us to use our time more efficiently and to feel better about how we use it. Here are some ideas.

### Set priorities

Set realistic long- and short-term goals. Know where you want to go before you spend time trying to get there. Make a list of your daily tasks and prioritize them. Then separate the tasks into manageable segments. This will enable you to finish one set of tasks before you move on to the next.

### Organize

Keep track of your time. Record your activities in fifteen minute segments to see how you spend your time. Then compare this record with the goals you had set for the day. Set deadlines for each task. It is amazing how jobs can expand to fill the time available to complete them. Carry a pocket note pad with you so you can jot down ideas when they are fresh in your mind. Self-sticking notes are a handy way to combine and organize your ideas.

### Improve efficiency

Determine at what time of day you are most efficient. Schedule your toughest jobs for then. Don't get bogged down. If you do, see if anyone can assist you or knows a better way to proceed. Take care of phone calls and small projects promptly. Don't let minor problems become major ones.

Plan for the unexpected. Expect interruptions. Keep in mind that many successful managing partners spend much of their time putting out small fires and talking with employees. They consider this

an important part of their jobs and not a waste of productive time. Limit the number and length of meetings, but make sure everyone knows the firm's plans. Delegate where possible.

### Relax

Don't take everything too seriously. The most important things in life, such as time for family and friends, are often overlooked. Know when to say no. Don't take on extra commitments if you are already at your limit.

Take care of your health through exercise and meditation. Develop relaxing hobbies and remember that some of the best ideas come from quiet, reflective thinking. Reward yourself if you achieve your goals. Too often, we get used to the bad news and when something good happens, we ignore it. ☐

—by **Kurt T. Jacobsen, CPA**, *Umble, Gayhart & Jacobsen*, 7419 Kingsgate Way, P.O. Box 849, West Chester, Ohio 45069

## CPAs Score Big Win in South Carolina

In a decision hailed as a victory for the accounting profession, the South Carolina Supreme Court ruled in favor of CPAs in a case concerning the unauthorized practice of law. The ruling thwarts the South Carolina Bar Association's attempts to define the practice of law through a comprehensive set of rules that would have prohibited CPAs from engaging in estate planning work and income tax practice other than preparation.

The Court rejected the comprehensive rules as "neither practicable nor wise" and instead will decide the unauthorized practice of law on a case-by-case basis.

In its order, the court recognized the "unique status" of CPAs and acknowledged respect for the training and procedures under which CPAs operate. "We are confident that allowing CPAs to practice in their areas of expertise, subject to their own professional regulation, will best serve both to protect and promote the public interest," the Court said in its order. The order ended months of dispute between the bar and CPAs.

According to John Sharbaugh, American Institute of CPAs vice president—state legislation and legislative relations, the success resulted from the South Carolina Association of CPAs leading a cooperative effort with the AICPA and the large accounting firms. Together all three filed a document with the Court in opposition to the rules. ☐



## **Stress Reduction and Employee Retention**

*(continued from page 2)*

responsibility and the nature of work assigned to women accountants. Firms that provide adequate career opportunities and appropriate responsibilities and allow access to sufficient professional development may find they increase their retention of women accountants.

In summary, an ongoing problem for accounting firms is attracting and retaining skilled personnel. It is not sufficient for a firm to be concerned about losing staff, formal retention policies should be established. Steps must be taken to slow the exodus of individuals from accounting positions. That exodus creates a "brain drain" that can be costly both to CPA firms and the accounting profession. ☒

—by **Jerry G. Kreuze, CPA, Ph.D.**, *Western Michigan University, Haworth College of Business, Department of Accountancy, Kalamazoo, Michigan 49008-3899* and **Deborah D. Payne, CPA, Ph.D.**, *University of Baltimore, Merrick Business School, Department of Accounting, Baltimore, Maryland 21201*

## **Reminders About the *Practicing CPA***

**Distribution policy.** Readers are reminded that one copy of the *Practicing CPA* is sent automatically to each practice unit and to those members who have specifically requested it. If you would like to receive your own copy, send your name and address to the membership administration department of the American Institute of CPAs.

**Request for information.** Readers are reminded that the main source of material for the *Practicing CPA* is practitioners. We would like to encourage the exchange of ideas and information concerning new methods, techniques, procedures, and forms that make managing an accounting practice easier and more profitable. In particular, we would like to know if any firms are hiring temporary professional staff for specific one-time-only engagements or to satisfy other needs. Just send your ideas and information to the editor.

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